

DCAA Presentations

1:00-1:15 - DCAA Audit Guidance on ERPs

April Stephenson, DCAA HQs

1:15-1:30 - Audit Risks in an ERP Environment

John Dionne, DCAA Northeastern Region
(Boston)

1:30-1:45 - NG Corporate & ACS ERP Implem.

Cliff Cameron, NG CAC

1:45-2:00 - NG ISS Sector - Jerry McAfee

DCAA Presentations

2:00-2:15 - NG AGS Business Area under ISS

Ken Schrandt

2:15-2:30 - Break

2:30-2:45 - NG ESSS Sector - Duke Frazier

NG Rolling Meadows - Matt Dito

2:45-3:00 - NG Logicon Sector - Shawn Boynton

3:00-3:15 - Honeywell Aerospace Services

Matt Dito

DCAA AUDIT GUIDANCE ON ERP SYSTEMS

April G. Stephenson
Chief, Policy Programs
Division

ERP Systems Audit Guidance

- **General Guidance**
- **Treatment of Costs**

ERP Systems

General Audit Guidance

- **DCAA Guidance Issued
2 September 1999 (99-PIC-095(R))**
- **Auditor Proactive Role**
- **Current Functional Risk-Based Approach -
Internal Controls**

ERP Systems

Auditor Proactive Role

- **Determine scope and schedule**
- **Understand differences between old and new systems**
- **Determine specific ERP software and version/release**
- **Review cost benefit analysis and business case**

ERP Systems

Auditor Proactive Role

- **Determine impact on forward pricing rates for projected cost savings**
- **Determine CAS impact**
- **Explore direct, on-line access**
- **Review data conversion**
- **Determine impact on internal controls**

ERP Systems Internal Control System Reviews

- **Use current functional risk- based approach**
- **Plan and time internal control reviews concurrent with ERP implementation**
- **Participate in IPTs**

ERP Systems

Treatment of ERP Costs

- **DCAA Audit Guidance Issued 22 July 1998 and 30 August 1999**
- **Absent specific FAR/CAS coverage, GAAP applies**
 - » **FASB EITF 97-13**
 - » **AICPA SOP 98-1**

ERP Systems

Treatment of ERP Costs

- **Business process reengineering costs**
 - » **Preparation of request for proposal**
 - » **Current state assessment**
 - » **Process reengineering**
 - » **Restructuring the workforce**
- **Expense in accordance with EITF 97-13**

ERP Systems

Treatment of ERP Costs

- **Computer Software Developed or Obtained for Internal Use - SOP 98-1**
 - » **Preliminary project stage - Expense**
 - » **Application development stage - Capitalize except expense certain data conversion costs**
 - » **Post-implementation/operation stage - Expense**

ERP Systems

Treatment of ERP Costs

- **Preliminary project stage - Expense under SOP 98-1**
 - » **Conceptual formulation of alternatives**
 - » **Evaluation of alternatives**
 - » **Determination of existence of needed technology**
 - » **Final selection of alternatives**

ERP Systems

Treatment of ERP Costs

- **Application development stage activities - Capitalize SOP 98-1**
 - » **Design of chosen path including software config. & software interface**
 - » **Coding**
 - » **Installation to Hardware**
 - » **Testing, include parallel processing**

ERP Systems

Treatment of ERP Costs

- **Application development stage activities - Data conversion - Depends under SOP 98-1**
 - » **Costs to develop or obtain software that allows for access of old data by new system - Capitalize**
 - » **All other data conversion process - Expense**

ERP Systems

Treatment of ERP Costs

- **Post-implementation/operation stage activities - Expense under SOP 98-1**
 - » **Training**
 - » **Application maintenance**
 - » **Ongoing support**